

## APPENDIX A

### FUNCTIONS. FUNCTIONAL SEGMENTS . AND CRITERIA

CLASS I - STATISTICAL SAMPLING

CLASS II - JUDGMENT SAMPLING

CLASS III - PURPOSEFUL SAMPLING

NOTE: A Class II sampling may be changed to a Class I sampling by the PA dependant upon the circumstances and situations affecting the analysis. Functional segments need be reviewed only where applicable.

**FUNCTION 1: PROPERTY MANAGEMENT.** The process of maintaining-an adequate Property Control System for Government-Property; reporting LDD; and the process of contractor internal self audit.

#### FUNCTIONAL SEGMENT: MANAGEMENT

##### Criteria

- |   |    |
|---|----|
| 1. Contractor written policies and procedures provide for effective property control of each type of Government asset in its possession.  | H  |
| 2. Contractor procedures are maintained in an up to date status that meet contractual requirements, with changes submitted to PA for review, and are readily available to personnel accountable for or otherwise responsible for Government property. | II |
| 3. Contractor prepares and implements a plan of corrective action and furnishes the plan to the PA promptly after notification of a system deficiency or incident of LDD, where applicable.   | H  |
| 4. Contractor provides immediate interim protection of Government property in response to identified deficiencies until permanent measures are taken.   | II |

## FUNCTIONAL SEGMENT: REPORTING OF LOSS, DAMAGE, AND DESTRUCTION

### Criteria

- |  |    |
|--|----|
| 1. Contractor promptly identifies, investigates, and reports incidents involving L,D, and D of Government property to the PA and other appropriate authorities, as required. | II |
| 2. Contractor promptly furnishes all necessary data to substantiate requests for relief of responsibility.   | II |

## FUNCTIONAL SEGMENT: CONTRACTOR AUDITS OF GOVERNMENT PROPERTY

### Criteria

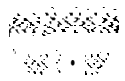
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|--|----|
| 1. Contractor performs audits of property management issues in accordance with company policy and promptly initiates corrective actions when audits disclose deficiencies. | H  |
| 2. Contractor audit function coordinates review plans and results with the PA to preclude duplication of effort and enhance problem resolution.                            | II |

FUNCTION 2: ACQUISITION. The process of acquiring Government property either through requisition or transfer from Government sources or through purchase, including those made from contractor stores.

## FUNCTIONAL SEGMENT: ACQUISITION AUTHORITY

### Criteria

- |   |    |
|---|----|
| 1. Contractual provisions and requirements related to Government property are flowed down to appropriate contractor property acquisition organizations. | II |
| 2. Contract authority exists for acquisition of facilities and special test equipment.  | I  |
| 3. Material transfers between contracts are adequately documented.  | I  |
| 4. CO consent-or approval is obtained when required.  | I  |



## FUNCTIONAL SEGMENT: CATEGORIZATION OF PROPERTY

### Criterion

Categorization of property is correctly determined before acquisition or fabrication. I

## FUNCTIONAL SEGMENT: REQUIREMENTS COMPUTATIONS

### Criterion

Requirements for property must be supported by bills of materials, materials requirement lists, or similar technical planning documents that include spoilage or loss estimates, attrition, and mortality rates. I

## FUNCTIONAL SEGMENT: ORDERING PRACTICES

### Criteria

1. Acquisition documents include detailed and accurate description of assets to be acquired and contract or equivalent code designator. I
2. Items and quantities requisitioned, purchased, or fabricated are reasonable, contractually authorized, based on firm requirements, and are not available from existing stocks. I
3. Economic ordering practices are properly applied, when applicable. I
4. Orders are processed in a timely manner to minimize emergency acquisitions or requisitions. I
5. On-order assets are monitored until assets are received. I
6. On-order assets are **cancelled** or amended, to the extent possible, when requirements are changed by contract modification, engineering- change, terminations, production schedule revision, receipt of “pushed” items, etc. I
7. Distribution, cancellation, and change of purchase requisitions are properly controlled. I

FUNCTIONAL SEGMENT: MILSTRIP ACQUISITIONS

Criteria

- |  |   |
|--|---|
| 1. Requisition documents are properly prepared and processed including routing identifiers, fund code, priority designator, etc. | I |
| 2. Status file is maintained, supply status monitored, and appropriate action taken when required.                               | I |
| 3. Requests are submitted in a timely manner to minimize use of emergency priorities.  | I |

FUNCTION 3: RECEIVING. The process of Government property initially entering into a contractor's custody.

FUNCTIONAL SEGMENT: RECEIVING PROCESS

Criteria

- |   |    |
|---|----|
| 1. Property is promptly examined upon arrival to determine quantity received, determine condition, and identify transit-related discrepancies.  | I  |
| 2. Carrier's representative signature is obtained when shortages or other transit related discrepancies are identified at time of delivery.   | II |
| 3. Receiving reports are promptly prepared that document items and quantities received, condition, shipping data, date received, etc.   | I  |
| 4. Items received are reconciled against requisition documents, purchase orders, packing lists or related documents to ensure accountability for all items, attachments, and accessories. | I  |
| 5. Item received by contractors for rework, processing, or repair under terms of contract warranty provisions are identified and documented during the receiving process.                 | I  |
| 6. Completed receiving reports are promptly distributed to designated inventory control points, accounting functions, etc., to ensure full accountability is established. -               | I  |
| 7. Incoming property is provided adequate protection and storage during the receiving process.  | I  |

8. Returnable and reusable containers are properly controlled and accounted for. I

#### FUNCTIONAL SEGMENT: DISCREPANCIES INCIDENT TO SHIPMENT

##### Criteria

1. Misdirected shipments and other discrepant property is adequately segregated and controlled pending receipt of disposition instructions. H

2. Causes of discrepancies are investigated and documented. II

3. Contractor initiates appropriate discrepancy reports and notifies the PA and/or Government transportation officer. I

FUNCTION 4: IDENTIFICATION. The process of properly identifying Government property.

#### FUNCTIONAL SEGMENT: IDENTIFICATION PROCESS

##### Criteria

1. Assets are labeled, tagged, or otherwise identified in a manner approved by the PA promptly upon fabrication or receipt. I

2. General purpose components of special test equipment are identified in a manner to facilitate removal and reutilization. I

FUNCTION 5: RECORDS. The official accountable records maintained by a contractor to show status and to control all Government property furnished to or otherwise acquired by the Contractor.

#### FUNCTIONAL SEGMENT: ALL RECORDS OF GOVERNMENT PROPERTY

##### Criteria

1. Property control records conform to FAR or other contractual requirements and are accurately maintained for all Government property at the contractor primary and alternate locations as well as subcontractor locations. I

2. Support documentation used for posting entries provides complete, current, and auditable data. I

3. Transactions, including location changes, are promptly posted.	I	5/1/2000 2/20/2000
4. Records are established for all assets purchased, fabricated, furnished by the Government, parts removed or recovered, or transferred from other work of the contractor.	I	
5. Sensitive property is accurately reflected on inventory control records.	I	
6. Inventory control records are closed by means of proper posting entry, adequately supported by documentation.	II	

FUNCTIONAL SEGMENT: MATERIAL RECORDS

Criteria	—	
1. Stock levels and reorder points are reflected on records, where applicable, are reasonably sound, and are consistent with contract provisions.	I	
2. Receipt and issue records are maintained as authorized by the PA.	I	
3. Records required by MMAS provisions are properly maintained.	I	

FUNCTIONAL SEGMENT: INDUSTRIAL PLANT EQUIPMENT RECORDS

Criterion		
DD Forms 1342, DoD Property Record, are prepared and submitted in a timely manner for each item identified as industrial plant equipment including updates to report status changes.	I	

FUNCTIONAL SEGMENT: WARRANTY ITEM RECORDS

Criterion		
Accountable records are established for items returned to the contractor for rework, processing, or repair under warranty.	I	

FUNCTIONAL SEGMENT: CUSTODIAL RECORDS

Criterion	-	
	-	
Custodial records are established for items issued from tool cribs, guard force, protective clothing, and other items issued to individuals for use in their work,	I	

FUNCTION 6: MOVEMENT. The process of moving all types of Government property. It includes movement from one point to another within a contractor’s facility, movement between facilities, for any purpose, and protection during movement.

FUNCTIONAL SEGMENT: MATERIAL HANDLING

Criteria

- |   |    |
|---|----|
| 1. Item is moved under proper authority, supported by approved documentation; i.e., issue slips, shipping ticket, location change order, etc.                         | I  |
| 2. Adequate protection is provided during movement, such as packing, covering, skidding, property handling equipment, procedures, techniques, and safety precautions. | II |

FUNCTION 7: STORAGE. The process of storing all types of Government property.

FUNCTIONAL SEGMENT: STORAGE AREAS

Criteria

- |  |    |
|--|----|
| 1. Housekeeping is adequate.   | H  |
| 2. Government property is segregated from contractor property, when required.                            | II |
| 3. Adequate physical security and protection are provided for assets in both inside and outside storage. | II |
| 4. Access to property in storage is limited to authorized personnel.                                     | H  |
| 5. Assets in storage are properly packaged and preserved, when required.                                 | II |

FUNCTIONAL SEGMENT: SPECIAL STORAGE AREAS

Criteria

- |   |    |
|---|----|
| 1. Additional physical security and protection are provided for sensitive items.  | II |
| 2. Special controls and inspections are provided for items in storage subject to corrosion, humidity, temperature, age controls, etc. | H  |

FUNCTION 8: PHYSICAL INVENTORIES. The process of physically locating and counting Government property and comparing it to records of such property, including the posting of findings and adjustments and the reporting of adjustments to the PA.

FUNCTIONAL SEGMENT: PERFORMANCE

Criteria

- |   |    |
|---|----|
| 1. Physical inventories are performed in accordance with schedules and procedures approved by the PA including those prescribed by MMAS requirements. | II |
| 2. Physical inventories are conducted by personnel other than those maintaining records or having custody of property.                                | II |
| 3. Property inventoried is properly sighted and counted, either manually or electronically.   | I  |
| 4. Physical inventories, adequate for disposal purposes, are performed promptly upon contract completion or termination unless waived by the PA.      | II |

FUNCTIONAL SEGMENT: RECORDING

Criteria

- |  |   |
|--|---|
| 1. Inventory is posted to accountable record within reasonable period.   | I |
| 2. Posting to accountable record is completed, accurately showing date and quantity, and clearly identified as an inventory entry. | I |

FUNCTIONAL SEGMENT: MATERIAL RECORDS ADJUSTMENTS

Criteria

- |   |   |
|---|---|
| 1. Material quantity adjustments are promptly posted to accountable records.                          | I |
| 2, Adjustments are complete on date and quantity and are clearly identified as inventory adjustments. | I |

FUNCTIONAL SEGMENT: REPORTING INVENTORY FINDINGS

Criterion

Results of physical inventories, including all adjustments and L, D and D identified as a result of physical inventories, are promptly reported to the PA. I

FUNCTION 9: REPORTS. The preparation and submission of reports reflecting the status of Government property as required by contractor regulation.

FUNCTIONAL SEGMENT: ACCURACY AND COMPLETENESS

Criteria

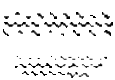
- 1. Responsibility for reports preparation is clearly assigned to specific function(s). II
- 2. Source(s) of data are clearly defined, accurate, and current. II
- 3. Appropriate audit or other method is employed by the contractor to verify report accuracy and completeness. II

FUNCTIONAL SEGMENT: REPORT SUBMISSION

Criteria

- 1. Controls are maintained to identify: II
  - a. Contracts subject to reports requirements.
  - b. Specific reports required.
  - c. Required submission dates for reports.
- 2. Procedures provide adequate lead time for orderly compilation of data and report submission, H
- 3. Reports are distributed according to contractual requirements. II

FUNCTION 10: CONSUMPTION. The process of incorporating Government property, of the material or agency peculiar classification, into an end item or otherwise consuming it in performance of a contract.



FUNCTIONAL SEGMENT: REASONABLENESS OF CONSUMPTION

Criteria

- 1. Items are consumed only as authorized by the contract unless otherwise approved by the CO. 1
- 2. Quantities consumed are reasonable when compared to requirements such as bill of material, material requirements lists, established scrap rates, etc. 1
- 3. Issue documentation maintains an audit trail reflecting that items are properly consumed. — 1
- 4. Issue documentation is properly authorized and prepared. 1
- 5. Assets are issued “first-in first-out” for age sensitive materials. 11
- 6. Contractor investigates, analyzes, and reports instances of consumption above planned usage rates as property losses. II

FUNCTIONAL SEGMENT: IDENTIFICATION OF EXCESS

Criteria

- 1. Using areas identify and return material to stores that is not required for current work. 11
- 2. Degree of use or contractual authorization justifies retention. 1
- 3. Continuous screening is accomplished using approved criteria to identify excess assets that is responsive to engineering changes, contract modifications, completions, terminations, or inactive assets. 11
- 4. Reporting of excess is promptly initiated for all property excess of the amount needed to. complete full **performance** under the contracts providing it or authorizing its use. 11

**FUNCTION 11: UTILIZATION.** The process of using facilities, special tooling, special test equipment, and agency-peculiar property for the purpose for which furnished or acquired.

FUNCTIONAL SEGMENT: AUTHORIZED USE

Criteria

- |   |   |
|---|---|
| 1. Items are used only as authorized by the contract unless otherwise approved by the CO. | I |
| 2. Methods are established for determining and allocating rental charges, when required.  | H |

FUNCTIONAL SEGMENT: IDENTIFICATION OF EXCESS

Criteria

- |   |    |
|---|----|
| 1, Degree of utilization or contractual authorization justifies retention.  | I  |
| 2. Continuous screening is accomplished using approved criteria to identify excess assets that is responsive to engineering changes, contract modifications, completions, terminations, or inactive assets. | II |
| 3. Reporting of excess is promptly initiated for all property excess of the amount needed to complete full performance under the contracts providing it or authorizing its use.                             | II |

**FUNCTION 12: MAINTENANCE.** The process of providing the amount of care necessary to obtain a high quality of production and the most useful service life of Government property.

FUNCTIONAL SEGMENT: PREVENTIVE MAINTENANCE

Criteria

- |   |   |
|---|---|
| 1. Contractor obtains and complies with current technical publications for maintenance of Government property, when applicable. | I |
| 2. Item is scheduled for periodic maintenance (including technical publication compliance), when appropriate.                   | I |

- |   |    |
|---|----|
| <b>3.</b> Inspection and/or periodic maintenance is performed according to the schedule in the contractor's approved property control system. | I  |
| 4. Unscheduled maintenance requirements are performed in an expeditious manner.   | II |
| 5. Records of preventive maintenance and corrective actions are adequate and accurate.  | I  |

FUNCTIONAL SEGMENT: CAPITAL-TYPE REHABILITATION (INCLUDING REAL PROPERTY) .

Criteria

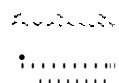
- |  |   |
|--|---|
| 1. Inspection is scheduled to determine need for major repair, replacement, or other rehabilitation.   | I |
| 2. Inspection is performed as scheduled and results are reported including the need for major repair, asset replacement, or CTR.   | I |
| 3. <b>CO</b> approval is obtained to modify, cannibalize, or repair Government property other than repairs authorized by contract requirement or through the approved maintenance program. | I |
| 4. Rehabilitation is properly accomplished, when authorized.   |   |

FUNCTION 13: SUBCONTRACTOR CONTROL. The process of prime contractor control over subcontractors on Government property.

FUNCTIONAL SEGMENT: PRIME CONTRACTOR RESPONSIBILITIES

Criteria

- |   |    |
|---|----|
| 1. Subcontract reflects assets to be provided and flowdown of contract requirements including adequate instructions on subcontractor responsibilities.  | I  |
| 2. CO approval has been obtained for each subcontract that will relieve the subcontractor of the risk of loss of Government property and the Government must receive consideration when appropriate.  | I  |
| <b>3.</b> When the prime contractor uses subcontractor records as its <b>official</b> records of Government property, and the subcontractor has a system approved by the Government, the prime contractor has implemented a system to maintain visibility | II |



of property at subcontractor locations.

4. The prime contractor has established an adequate system analysis program to assess the adequacy of records, control, protection, preservation, and maintenance of Government property in the possession of subcontractors unless supporting property administration has been obtained. II

5. The prime contractor properly administers the risk of loss and other provisions of subcontracts related to Government property. H

**FUNCTION 14: DISPOSITION.** The process of disclosing excess, requesting disposition instructions, and effecting disposal of Government property.

#### FUNCTIONAL SEGMENT: DISCLOSURE OF EXCESS

##### Criteria

1. In-house screening of excess assets is accomplished at contract completion or when determined to be excess, to identify possible uses on other contracts or other work of the contractor. I

2. Items determined excess are promptly reported to the Government. I

**3.** Declaration as excess is complete and accurate. I

#### FUNCTIONAL SEGMENT: DISPOSAL

##### Criteria

1. There is proper authority for disposition. I

2. Disposition is accomplished in compliance with FAR 45.6 or other specific contract provision. I

3. Item was disposed of within a reasonable time period after disposal authority was received. I

4. Identification tag is removed from item before disposal, when appropriate. I

5. **Documentation** of disposition is complete and reflects authority, disposal action, date of disposal, and is posted to record. I

6. When appropriate, proceeds from sale of assets have been credited to the Government. I

FUNCTIONAL SEGMENT: APPROVED SCRAP PROCEDURE

Criteria

- |   |   |
|---|---|
| 1. Contractor complies with provisions of approved scrap procedure. | I |
| 2. Proceeds from scrap sales have been properly credited.           | I |

**FUNCTION 15: CONTRACT PROPERTY CLOSEOUT.** The process of properly closing out the property element of a contract. —

FUNCTIONAL SEGMENT: RELIEF FROM RESPONSIBILITY

Criteria

- |   |   |
|---|---|
| 1. Contractual authorization or CO approval is obtained to transfer Government property from a completed contract when identified for use on other contracts or for retention of idle assets (except for contractor's purchase or retention at cost of contractor-acquired property). | I |
| 2. Inventory adjustments, liability determinations, and other property issues are resolved before contract close-out.   | I |

FUNCTIONAL SEGMENT: FINAL CONTRACT REVIEW

Criteria

- |  |    |
|--|----|
| 1. Contractor property management organizations are aware of contracts approaching completion.                             | II |
| 2. Lists of special tooling subject to the special tooling clause are provided to the Government for disposition purposes. | I  |
| 3. Prescribed reports required for completed contracts are properly submitted.   | I  |
| 4. The contractor notifies the PA promptly when all pending actions on property-related matters are completed.             | I  |